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WORKFORCE DEVELOPMENT COUNCIL

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TRANSMITTAL # 7

MEMORANDUM

March 26, 2002

TO: Workforce Development Council

FROM: Allison McClintick, Labor Policy Advisor
Office of the Governor

SUBJECT: Federal Initiatives

ACTION REQUESTED: Information Only

BACKGROUND:

Several proposals are being considered at the federal level which will impact the delivery of workforce development services in the state. The Commission on Aging previously reported to the Council when the Older Americans Act was reauthorized. They have provided a summary of the primary impacts and have noted an opportunity for input on the rules governing that program on April 2, 2002 in Boise. See Attachment #1 for details.

The law governing the welfare program, known as Temporary Assistance for Needy Families, or TANF, will expire in September and must be reauthorized. President Bush recently announced his proposal for the TANF reauthorization that includes expanded work requirements as well as expanded opportunities for education and training. In Attachment #2, the Department of Health and Welfare has summarized the details of the proposal and outlined its impact on the Idaho program.

In Attachment #3, the Department of Labor summarized federal proposals which impact programs under its administrative direction. The summary includes a discussion of the President's budget proposal which calls for budget reductions for PY 2003 as well as consolidation of some programs operated by the U.S. Department of Labor. The proposal also calls for longer term reform of administrative financing for the Unemployment Insurance and Employment Service programs. The paper discusses the newly enacted Economic Stimulus package which offers additional weeks of extended benefits to the unemployed and extends the Work Opportunity Tax Credit program as part of a smaller tax relief package. Finally, the paper discusses the reauthorization of WIA, particularly as it relates to coordination with the TANF program. While no legislative action is expected on either the UI/ES Reform or the WIA reauthorization until after the reauthorization of TANF, the Administration is beginning to hold discussions around the country to seek input on specific aspects of the programs.

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Attachments

IDAHO COMMISSION ON AGING

Congress recently reauthorized the Older Americans Act (OAA); draft regulations are currently being developed. Title V of the Act is the Senior Community Service Employment Program (SCSEP), one of the "mandatory partners" identified in the Workforce Investment Act (WIA).

The new legislation strengthens connections between SCSEP and WIA and focuses on improved coordination. The OAA Amendments allow Local Workforce Investment Boards to deem SCSEP participants eligible for WIA-funded intensive and training services without first accessing core services.

The law also expands performance measures. Required measures include the placement and retention of participants in unsubsidized employment, customer satisfaction of enrollees, employers, and host agencies; the number of persons served, particularly those with the greatest economic need, poor employment history, and those more than 60 years old. The measures also examine the nature and quality of community services provided.

NOTE: Josefina Carbonell, the Assistant Secretary for Aging and head of the U. S. Administration on Aging, will hold a Listening Session in Idaho to receive input on the Older Americans Act. The Session will take place on April 2, 2002 at the Double Tree Hotel-Riverside in Boise from 8:30 to 11:30 a.m. The event will give seniors and service providers an opportunity to speak about issues and concerns they have with the reauthorized Older Americans Act and changes in the rules that would help them access or provide services.

REFORMING WELFARE TO INCREASE INDEPENDENCE & STRENGTHEN FAMILIES

PRESIDENTIAL ACTION

President Bush will announce his welfare reform agenda to **strengthen families** and help more welfare recipients **work toward independence and self-reliance**. The President's agenda builds on the success of the historic 1996 welfare reform law:

- ☑ **Helps more welfare recipients achieve independence through work.**
- ☑ **Protects children and strengthens families.**
- ☑ **Empowers states to seek new and innovative solutions to help welfare recipients achieve independence.**
- ☑ **Provides compassionate food assistance to legal immigrants in need.**

KEY COMPONENTS OF THE PRESIDENT'S WELFARE REFORM AGENDA

HELPING WELFARE RECIPIENTS ACHIEVE INDEPENDENCE THROUGH WORK

- **Increasing Minimum Work Requirements.** Under current law, at least 50% of welfare families are required to participate in work and other activities designed to help them achieve self-sufficiency. The President's plan closes loopholes and increases the work requirement by 5% per year until reaching 70% in FY 2007.

- **Requiring Welfare Recipients to Put in a Full Work Week.** The President's proposal builds on the successful work requirements of the 1996 welfare reform law by requiring welfare recipients to work 40 hours per week – either at a job or in programs designed to help them achieve independence. The plan makes special accommodations for parents with infants and individuals who need substance abuse treatment, rehabilitation or special work-related training.

PROTECTING CHILDREN & STRENGTHENING FAMILIES

- **Protecting Children by Providing Historic Childcare Funding.** The President proposes to continue historically high levels of support for childcare ($4.8 billion per year) through the Child Care and Development Block Grant.

- **Strengthening Child Support Enforcement and Encouraging States to Give Child Support Payments To Mothers And Children.** Under current law, government keeps a substantial portion of the money collected to pay past-due child support in cases of families that have received welfare. The President's proposal provides financial incentives for the states to give as much of this money as possible to mothers and children, especially mothers who have left welfare.

- **Encouraging Healthy Marriages and Two-Parent Married Families as a Goal.** The President's plan directs up to $300 million for programs that encourage healthy, stable marriages. These programs include pre-marital education and counseling, as well as research and technical assistance into promising approaches that work.

Encouraging Innovation by States to Help Welfare Recipients Achieve Independence

- **Establishing Broad New Waiver Authority to Encourage State Program Innovation.** New waiver authority will be established to enable states to integrate a range of programs in order to improve their effectiveness. This new flexibility will help states design fully integrated assistance programs that could revolutionize service delivery.
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- **Allowing States to Better Coordinate Childcare and Other Non-Cash Work Support Services.** States support the transition from welfare to work by providing families with a range of benefits and services including food stamps, childcare, income supplements and transportation assistance. Under the President's proposal, states would be given the flexibility to streamline and coordinate these support programs, which now operate under different agencies, different rules, and different reporting requirements.

PROVIDING ASSISTANCE FOR LEGAL IMMIGRANTS IN NEED

- **Ensuring Vulnerable Legal Immigrants Get Adequate Nutrition:** The President's proposal will allow legal immigrants to receive food stamps five years after entry to the United States. This policy will help to ensure adequate nutrition among children and other vulnerable immigrant groups, while continuing to require new entrants to support themselves and their families through work.

- **Safeguarding Against Welfare Dependency Among Non-Citizens:** The President's plan will continue the existing five-year ban on welfare benefits for non-citizens entering the country after 1996 – ensuring that welfare policy neither attracts non-citizens to the U.S. to take advantage of welfare nor induces welfare dependency among non-citizens who do receive welfare benefits.

WILL REQUIRE RULE CHANGES AND TRAINING
BACKGROUND

In 1996, a Republican Congress and a Democratic Administration came together to reach a historic, bipartisan agreement to reform the welfare system. This historic welfare reform has been one of the greatest public policy successes in decades:

- ✓ Since 1996, welfare dependency has plummeted. The number of individuals receiving cash assistance has dropped by 56 percent.
- ✓ Even in a recession, national welfare caseloads are not rising significantly. Instead, they have stabilized.
- ✓ Since the law's passage, more single mothers are employed than ever before.
- ✓ Child poverty rates are at their lowest level since 1978, and both African-American child poverty rates and poverty among children in female-headed families are at their lowest level in history.
- ✓ The rate of births to unwed mothers has leveled off.

Even with these notable successes, much remains to be done to improve the welfare system for those in need – and to help welfare recipients on the path to self-reliance and independence.

As part of the 1996 reforms, Congress ended the welfare entitlement under the Aid to Families with Dependent Children (AFDC) program, and replaced it with the Temporary Assistance for Needy Families (TANF) program, a $16.6 billion per year block grant to states and territories. Under TANF, welfare recipients are required to work in exchange for time-limited benefits, and states enjoy significant flexibility in designing the eligibility criteria and benefit rules. Additionally, Congress provided bonuses to states for high performance and for reducing non-marital births.

President Bush proposes to build on the success of the bipartisan 1996 reform law by making welfare even more focused on the well-being of children and supportive of families. His plan will strengthen and improve the TANF program by maintaining the same overall funding level ($16.6 billion per year) and basic structure established under the 1996 welfare reform law – while making improvements in several key areas to encourage welfare recipients to work toward independence.

FOR MORE INFORMATION ON THE PRESIDENT'S INITIATIVES PLEASE VISIT WWW.WHITEHOUSE.GOV

DEPARTMENT OF HEALTH AND WELFARE

State Impacts of the President's Proposed Welfare Reform Agenda

Funding Impacts

Child Care transfer: Child Care transfer remains the same, which is good and we fully support this proposal.

Social Service Block Grant (SSBG): The amount of funding which could be transferred from TANF to SSBG has been reduced. The President proposes restoring this in graduated increments back to 10%. The full restoration back to10% will not occur until 2007.

Maintenance of Effort (MOE) Funding: The MOE amount will not change, but what counts as MOE may change.

Work Requirements

Work proposal:
This has the biggest impact for us among any of the changes proposed. All parents will be required to meet a 40 hour/week work requirement. Of these 40 hours, 24 hours can be in any of 6 different work categories, which include:

- Unsubsidized employment
- Subsidized employment
- OJT
- Work Experience
- Community Service

The other 16 hours are more broadly defined and include activities which lead to employment, such as: domestic violence counseling, substance abuse treatment and education, and ESL classes. This is new and is more like what Idaho has defined for work activities. However, it differs from Idaho as we only require participants to participate in "some type" of work (or pre-work) activity for a minimum of 25 hours/week.

Participants can meet the work requirement if they are involved in intensive treatment for up to three months, such as substance abuse treatment/detox. If they drop out, they can't be considered in this work component again for two years. The tracking for this proposal will be very work intensive.

In the past, two-parent families have always had a higher minimum work requirement. The President proposes that 2-parent families will not have a separate work rate.

The 24 hour requirement will be very difficult for Idaho to meet for two reasons:

1) Limited opportunities for employment in rural areas, which is most of Idaho.
2) Because of our low grant amount, individuals who work even 20 hours/week are normally closed.

*The percent of TAFI participants who participate in work activities currently is **31%**; The percent of TAFI participants who participate in work activities for 24 hours is **24%**. The average hours a participant currently participates in work activities is **19 per week.***

The proposal calls for increasing the work participation rate 5%/year, up to 70% by 2007.

TANF Credits

The caseload reduction credit will be phased out. This will have a huge impact on Idaho as this is the only way that we currently meet the work participation rate. This is an even larger impact since the participation rate is increasing.

A new credit is proposed that will allow credit for participants who close due to an increase in income. This includes: earned income, child support or marriage if the spouse has earnings. This credit would apply for 3 months following closure. Within the last year, approximately **36%** of the TANF participants closed due to excess earnings.

Overall Impacts

Overall, we anticipate the proposals will require automation changes, rule changes and will impact the extended work services contracts.

DEPARTMENT OF LABOR

PRESIDENT'S BUDGET PROPOSAL FOR LABOR PROGRAMS

The President announced his proposed FY 2003 budget on February 4, 2002. The President's proposal is a "wartime budget" with homeland security taking precedence over all other issues. The funding request for programs administered by the U.S. Department of Labor is $10.3 billion, which includes the following program funding levels:

- Employment Service (ES) - $761.7 million (same level as the current year).
- Reemployment Services - $35 million (same level as current year).
- Unemployment Insurance (UI) - $2.73 billion in base administrative funding (approximately $60 million less that the current year).
- Workforce Investment Act (WIA) – $3.284 billion ($343 million less than the current year) NOTE: USDOL has estimated there will be $1.3 billion carried in from 2002 to 2003, which they believe will mitigate this decrease in allocations to the states. We believe that carryin funds will be far less than levels anticipated by the administration unless we reduce expenditures from current levels in 2002. With a continuing focus on expanding enrollment and expenditure rates, we expect that we could exhaust carryin in youth and adult funding leaving substantially fewer dollars in 2003 to operate these programs. We would expect limited carryout in dislocated worker funding from 2002 but at less than half the rate the administration forecasts. Because of the wide fluctuations in dislocated worker funding from year to year, we can expect a decline in 2003 but cannot predict the level.
    - Adult - $900 million ($50 million less than the current year; carryin estimated at $383 million).
    - Youth - $986 million ($125 million less than the current year; carryin estimated at $394 million).
    - Dislocated Worker - $1.383 billion ($54 million less than the current year, and $166 million less than next PY beginning July 1, 2002); carryin estimated at $911 million).
- One Stop / LMI - $113 million ($7 million less than the current year).

Other items of note:

- There is no funding request for Migrant Seasonal Farmworker (MSFW) programs currently funded from WIA (that is, the employment and training program for MSFWs operated in our state by the Idaho Migrant Council). Those programs currently receive $80 million throughout the nation. The Secretary of USDOL indicated the President's intent is for USDOL to work with current MSFW service providers to connect them to the local WIA systems, and to serve the MSFW customers currently served with these grants through the regular Adult programs. This has the effect, therefore, of an overall reduction of funding to the WIA system.
- They are proposing to eliminate the H-1B grant program that was funded with fees collected under the H-1B program. Currently this program funds competitive training grants to train U.S. workers in demand occupations. Those fees will be redirected to address the backlog in the permanent foreign labor certification program.
- The President proposes to move oversight, administration, and funding for the Local Veterans Employment Representative (LVER) and Disabled Veterans Outreach Program (DVOP) programs from the USDOL to the Veterans' Administration. According to the

proposal, the program would be a competitive grant program with strong performance measures.

- Job Corps would receive an increase of $78 million to $1.54 billion, for expansion of centers and training offerings.
- The Secretary of USDOL intends to proceed with the WIA Dislocated Worker funds rescission, since Congress has declined to reverse that rescission. While we do not yet know the precise amount for Idaho, overall the rescission represents approximately $1 of every $7 unspent as of June 30, 2001. We have taken steps at the state level to assure this rescission does not impact funding already allocated to serve dislocated workers at the local level.

SHORT TERM REFORM – THE "JOB CREATION AND WORKER ASSISTANCE ACT OF 2002"

On Thursday, March 7, Congress passed and sent to the President for signature HR 3090, an economic stimulus package which includes:

- A temporary, federally-funded two-tiered extension of UI benefits. Basically, UI claimants who had a claim for benefits during or after week ending March 17, 2001, and have exhausted their regular UI benefits, may be eligible for up to an additional 5-13 weeks (½ the number of weeks for which they were originally eligible) at the same weekly benefit amount. For states with high unemployment rates, an additional 13 weeks may be available. Idaho "triggered" on to the first tier extended benefits with the week beginning March 11.
- $9.2 billion in special "Reed Act" funds to states for expansion of benefits, enhanced reemployment services through One Stop Centers, shoring up trust fund reserves, and/or a cut in employer payroll taxes. (Idaho expects to receive approximately $32 million under this Reed Act distribution, $7 million of which was authorized by the Idaho Legislature to be spent by Idaho Department of Labor for administration, the balance of which will remain in the UI trust fund to be used to pay benefits.)
- A two-year extension of the Work Opportunity and Welfare-To-Work Tax Credits.

LONG TERM REFORM - UNEMPLOYMENT INSURANCE / EMPLOYMENT SERVICE REFORM

The budget proposal includes a major UI/ES reform initiative that would eventually shift responsibility for financing UI and ES administration and service delivery from the federal government to the states. There are four critical components to this proposal:

- A substantial cut in FUTA taxes for employers.

  Employers have paid significantly more in FUTA taxes than has been returned to the states for administration of the UI and ES programs and payment of unemployment benefits. This has resulted in an excess in the federal unemployment trust fund. The proposal lowers employer FUTA taxes from the current .8% to .2% in 2007 and thereafter. The proposal empowers states to finance and control administrative funding, for example by enacting administrative taxes through the state Legislatures (see below, "state financing of UI and ES administration and service delivery"). The FUTA tax reductions would occur according to the following:

  - January, 2003 – elimination of the .2% surcharge on employer taxes, reducing the FUTA rate to .6%.
  - January, 2005 – FUTA tax would be reduced to .4%
  - January, 2007 – FUTA tax would be reduced to .2%

This represents a total FUTA tax cut of 75%, and a tax savings to employers of $36.5 billion over 10 years.

- Reform of UI Extended Benefits (EB).

  The proposal lowers the trigger rate for regular extended benefits from the current 5% insured unemployment rate to 4%. This will increase the number of states that trigger on to extended benefits, and they will trigger on earlier in periods of economic downturn. In addition, the proposal repeals special federal rules governing EB, and would amend the permanent EB work search requirements to follow state work search requirements.

- State financing of UI and ES administration and service delivery.

  In FY 2005, states would begin to take responsibility for funding UI and ES administration, through state appropriations, and will be given authority to control their own administrative funding and decision-making for the UI and ES program (with federal oversight). The President's proposal characterizes this as giving states the "freedom and flexibility to target funds where they will be most effective, tailor unemployment and employment services to meet the unique needs of their citizens, and direct more resources toward improving timeliness and accuracy of benefit payments and prevention of overpayments."

- A staged or "stepped" transition.

  - FY 2003 – 2004 – States will continue to receive federal allocations for administration of UI and ES programs.
    - In addition to regular administrative grants,
      - In FY 2003 states would receive a $9.2 billion Reed Act distribution.
      - In FY 2004 and 2005 states would receive $2.5 billion in Reed Act distributions.

      NOTE: The Department was successful in passing legislation through the 2002 legislature that would allow the Department to expend up to $7 million of Idaho's share of the Reed Act distribution, if received, for administration of our UI and ES programs.

  - FY 2005 – 2006 – States will receive federal matching funds –
    - FY 2005 - $2 of federal funding for every $1 of state funding.
    - FY 2006 - $1 of federal funding for every $1 of state funding.
    - FY 2007 – States assume full responsibility for funding.

- USDOL plans a strong continuing federal role in terms of compliance and conformity with the Social Security Act (governing UI) and the Wagner-Peyser Act (governing ES). They will fund this oversight role with the .2% FUTA tax collected in FY 2007 and beyond.

Obviously, if enacted this proposal has far reaching implications for our UI and ES system in Idaho. We will study the proposal as additional details are received, and will track its progress. We will consult with the Council as this progresses.

WIA REAUTHORIZATION

Congress is scheduled to take up reauthorization of WIA in 2003. In the meantime, the General Accounting Office and the USDOL are gathering information on improving the links between TANF, which must be reauthorized this year, and WIA Title I (One Stop and local WIB programs) and Title III (Employment Service). Among the issues being considered by the USDOL are:

- How can the One Stop system be enhanced to improve employment and earnings of TANF recipients?
- How can the system better meet the needs of business and improve their participation in the workforce system?
- How can legislation better balance state and local needs in governance of the workforce system?
- How can state flexibility be increased while maintaining a focus on connecting people and work?
- How can operation of the One Stop Centers can be improved?
- How can individuals receive improved opportunities for training?
- How can UI/ES reform assist in improving and expanding the One Stop system?